

STATEMENT OF
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VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE
VETERANS' AFFAIRS SUBCOMMITTEE
ON OVERSIGHT AND INVESTIGATION
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

H.R. 3593, the "VA Construction Assistance Act of 2013"

WASHINGTON, D.C.

MARCH 25, 2014

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

On behalf of the men and women of the Veterans of Foreign Wars of the United States (VFW) and our Auxiliaries, I would like to thank you for the opportunity to testify on today's pending legislation.

H.R. 3593, VA Construction Assistance Act of 2013:

It is well documented that the Department of Veterans Affairs (VA) struggles to complete major medical facility construction projects on time and on budget. Currently, VA has an average project delivery delay of 35 months and average cost overruns of more than \$300 million.

VA is in the process of building three medical centers, each of which has been met with their own unique problems that have frustrated veterans who live in the communities and rely on the medical service of the VA, and have caused VA to lose time and money that could have been used on other projects. VA has a list of major construction projects that will cost more than \$20 billion. Every effort must be made to ensure every dollar is used efficiently, so VA can close these major construction gaps. H.R. 3593 puts recommendations in place that will help VA achieve these goals.

Section 3 of this bill calls for five specific reforms in VA's Major Medical Facility Construction process. These reforms call on the Secretary to:

- Use medical equipment planners from the onset of a major medical facility construction project.
- Develop and use a project management plan to improve communication among all parties involved.
- Put construction projects under peer excellence review.

- Develop a metrics to monitor change-order processing times and ensure the process meets other federal department and agency best-practices.
- Use a design-build process when possible.

VA wants to equip its facilities with the most up-to-date equipment. However, procuring medical equipment after the design of the facility inevitably causes building delays while the designs are redrawn, and in some cases demolition and reconstruction have taken place to accommodate the newly purchased medical equipment.

The VFW believes VA would benefit from the use of medical equipment planners. Using these planners, which is an industry practice used by the Army Corps of Engineers and other federal agencies, places an experienced medical equipment expert at the disposal of the architect and construction contractor. When used properly, a medical equipment planner can work with the architect during the design phase and then the construction contractor during the build phase to ensure needed space, physical structure and electrical support are adequate for the purchased medical equipment, reducing change orders, work stoppages, and the demolition of newly built sections of a facility.

Using a medical equipment planner can reduce schedule delays and cost overruns. Using the Orlando facility as an example, issues with the purchase of medical equipment caused cost overruns of more than \$10 million and construction had to be suspended until the issues were resolved.

Poor communication within VA and between VA and the general contractor has also led to delays and cost over-runs. There have been cases identified where separate VA officials have provided contradictory orders to the general contractor, where one VA employee authorized the continuation or start of a new phase of building, while another VA employee gave the order not to continue or start a particular phase. This lack of VA project management coordination led to a portion of the Orlando, Florida facility to be built then removed.

By developing and using a project management plan, all parties at the onset of the project will have a clear understanding of the roles and authorities of each member of the project team. Included in the plan will be clear guidance on communication, staffing, cost and budget, as well as change-order management.

Construction peer excellence reviews are an important aspect of maintaining a high level of construction quality and efficiency. When used, these review teams are made up of experts in construction management who travel to project sites to evaluate the performance of the project team. These meetings provide important feedback – a separate set of eyes – on the project management plan to ensure a plan is in place to make the project come in on time and on budget.

VA has historically relied on the design-bid-build project delivery system when entering into contracts to build major medical facility projects. Sixty percent of current VA major medical facility projects use design-bid-build. With this model, an architect is selected to design a facility, the design documents are used to secure a bid, and then the successful contract bid holder builds the facility.

Design-bid-build projects often encounter disputes between the customer – VA in this case – and the construction contractor. Because these contracts are generally firm-fixed-price, based on the

completed design, the construction contractor is usually responsible for cost overruns, unless VA and the contractor agree on any needed or proposed changes that occur with a change of scope, unforeseen site condition changes or design errors. VA and the contractor negotiate these changes through change orders. This process can become adversarial, because neither party wants to absorb the cost associated with the change, and each change order can add months to the project completion date.

A design-build project teams the architectural/engineering company and the construction contractor under one contract. This method can save VA up to six months of time by putting the design phase and the construction performance metric together. Placing the architect as the lead from start to finish, and having the prime contractor work side-by-side with the architect, allows the architect to be an advocate for VA. Also, the architect and the prime contractor can work together early on in the design phase to reduce the number of design errors, and it also allows them to identify and modify the building plans throughout the project. The VFW agrees with the recommendations outlined in Section 3 of this legislation.

Section 4 provides for a special project manager for the on-going construction projects in Denver, Colorado, Orlando, Florida, and New Orleans, Louisiana. This section calls on VA to enter into an agreement with the Army Corps of Engineers, so the Corps can provide a special project manager to conduct oversight of the construction operations regarding compliance with acquisition regulations, and monitor the relationship of VA and the prime contractor. It will also authorize the Corps to assist in construction related activities, such as change-order requests, and provide guidance on developing best practices in overall project operations.

The VFW supports this provision, but it should be seen as a stop-gap measure to help VA to quickly complete these three outstanding major construction projects, and systems must be put in place to ensure VA can function under similar guidance without the assistance of the Corps on future projects.

It is important for VA to become more efficient at facility construction. Veterans have expectations that medical facilities will be available when VA first states what the completion date will be. It is obvious by looking at the number of delays and cost overruns that the contracting and building procedures that VA currently uses are antiquated and are costing VA millions of dollars more for each project; and causing five to six year delays in much needed medical facilities. By passing this legislation, VA will gain better oversight, cost controls and more efficient procedures for future construction projects.

Mr. Chairman, this concludes my remarks and I look forward to any question you or the Committee may have.

Information Required by Rule XI2(g)(4) of the House of Representatives

Pursuant to Rule XI2(g)(4) of the House of Representatives, VFW has not received any federal grants in Fiscal Year 2013, nor has it received any federal grants in the two previous Fiscal Years.